

County of Emmet, Michigan

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
County of Emmet, Michigan

We have audited the accompanying financial statements of each major fund, the aggregate remaining funds and component unit information of the **County of Emmet, Michigan** (the "County") as of and for the year ended December 31, 2005, which collectively compose the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emmet County Road Commission, which represents 100% of the discretely presented component unit information. We also did not audit the financial statements of the Emmet County Medical Care Facility, which is a major proprietary fund. Those financial statements were audited by other auditors whose reports have been furnished to us and our report, insofar as it relates to the amounts included for the Emmet County Road Commission and the Emmet County Medical Care Facility, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Michigan Department of Treasury guidelines, the County's management has elected to omit financial statements of the governmental activities and business-type activities and certain information related to infrastructure required by the Governmental Accounting Standards Board ("GASB"). Consequently, the financial statements provide an incomplete presentation of the County's financial position and changes in financial position.

In our opinion, based on our audit and the reports of other auditors, except for the omission described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate remaining funds and component unit information of the County of Emmet, Michigan as of December 31, 2005, and the respective changes in financial position, where applicable, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented a management discussion and analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison and retirement plan and trust information on pages 43 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining financial statements listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Michigan Department of Treasury. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion and based on the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dennis, Gartland & Niergarth

April 27, 2006, except for Note P for which the date is May 23, 2006,
Component unit information related to the Emmet County Road
Commission for which the date is May 5, 2006, and
Emmet County Medical Care Facility for which the date is May 4, 2006.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
County of Emmet, Michigan

We have audited the accompanying financial statements of each major fund, the aggregate remaining funds and component unit information of the **County of Emmet, Michigan** (the "County") as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 27, 2006. Our report was qualified because the county elected to omit financial statements of the governmental activities and business-type activities and certain information related to infrastructure as permitted by the Michigan Department of Treasury. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported in a separate audit related communications dated April 27, 2006.

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Board of Commissioners
County of Emmet, Michigan
Page 2

This report is intended solely for the information and use of the Board of Commissioners, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

April 27, 2006

County of Emmet

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2005

	General Fund	Revenue Sharing Fund	Building Authority Renovation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 1,549,232	\$ 2,899,453	\$ 515,272	\$ 5,133,444	\$ 10,097,401
Accounts and advances receivable	241,434	-	-	5,558	246,992
Property taxes receivable	7,378,130	-	-	2,432,416	9,810,546
Due from other funds	381,790	3,653,456	-	7,229	4,042,475
Due from governmental units	269,082	-	-	166,667	435,749
Due from component unit	-	-	-	2,077,812	2,077,812
Inventory	104,685	-	-	-	104,685
Prepaid expenditures and deferred charges	172,500	-	-	-	172,500
Total assets	<u>\$ 10,096,853</u>	<u>\$ 6,552,909</u>	<u>\$ 515,272</u>	<u>\$ 9,823,126</u>	<u>\$ 26,988,160</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 329,923	\$ -	\$ 88,062	\$ 416,153	\$ 834,138
Due to other funds	3,653,456	-	-	7,229	3,660,685
Deposits and advances	5,410	-	-	-	5,410
Deferred revenue	4,106,464	-	-	2,679,997	6,786,461
Accrued wages and related liabilities	500,576	-	-	1,979	502,555
Total liabilities	<u>8,595,829</u>	<u>-</u>	<u>88,062</u>	<u>3,105,358</u>	<u>11,789,249</u>
FUND BALANCES					
Reserved for					
Capital projects	-	-	427,210	502,167	929,377
Debt service	-	-	-	539,351	539,351
Component unit - debt service	-	-	-	2,077,812	2,077,812
Revenue sharing	-	6,552,909	-	-	6,552,909
Unreserved	1,501,024	-	-	3,598,438	5,099,462
Total fund balances	<u>1,501,024</u>	<u>6,552,909</u>	<u>427,210</u>	<u>6,717,768</u>	<u>15,198,911</u>
Total liabilities and fund balances	<u>\$ 10,096,853</u>	<u>\$ 6,552,909</u>	<u>\$ 515,272</u>	<u>\$ 9,823,126</u>	<u>\$ 26,988,160</u>

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the year ended December 31, 2005

	General Fund	Revenue Sharing Fund	Building Authority Renovation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 11,187,469	\$ 3,653,456	\$ -	\$ 2,529,816	\$ 17,370,741
Licenses and permits	746,322	-	-	-	746,322
Federal grants	323,623	-	-	603,932	927,555
State grants	711,096	-	-	1,421,446	2,132,542
Charges for services	3,776,816	-	-	111,192	3,888,008
Fines and forfeits	43,876	-	-	-	43,876
Interest and rentals	332,873	19,802	64,458	189,373	606,506
Other revenue	532,204	-	12,704	1,586,171	2,131,079
Total revenues	<u>17,654,279</u>	<u>3,673,258</u>	<u>77,162</u>	<u>6,441,930</u>	<u>27,846,629</u>
EXPENDITURES					
Current					
Legislative	188,312	-	-	-	188,312
Judicial	2,111,038	-	-	456,128	2,567,166
General government	3,692,202	-	-	-	3,692,202
Public safety	4,537,086	-	-	860,049	5,397,135
Public works - airport	2,321,385	-	-	28,687	2,350,072
Health and welfare	280,483	-	-	1,845,740	2,126,223
Parks and recreation	224,297	-	-	-	224,297
Contributions to other organizations	1,297,445	-	-	820,839	2,118,284
Other	435,380	-	4,627	53,819	493,826
Capital outlay	-	-	5,757,619	4,463,613	10,221,232
Debt service	-	-	-	2,214,472	2,214,472
Total expenditures	<u>15,087,628</u>	<u>-</u>	<u>5,762,246</u>	<u>10,743,347</u>	<u>31,593,221</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,566,651</u>	<u>3,673,258</u>	<u>(5,685,084)</u>	<u>(4,301,417)</u>	<u>(3,746,592)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,497,354	-	-	4,230,047	5,727,401
Operating transfer out	(3,953,736)	(773,805)	-	(673,260)	(5,400,801)
Total other financing sources (uses)	<u>(2,456,382)</u>	<u>(773,805)</u>	<u>-</u>	<u>3,556,787</u>	<u>326,600</u>
NET CHANGE IN FUND BALANCES	110,269	2,899,453	(5,685,084)	(744,630)	(3,419,992)
Fund balance, beginning of year	<u>1,390,755</u>	<u>3,653,456</u>	<u>6,112,294</u>	<u>7,462,398</u>	<u>18,618,903</u>
Fund balance, end of year	<u>\$ 1,501,024</u>	<u>\$ 6,552,909</u>	<u>\$ 427,210</u>	<u>\$ 6,717,768</u>	<u>\$ 15,198,911</u>

The accompanying notes are an integral part of these financial statements.

County of Emmet

BALANCE SHEET - PROPRIETARY FUNDS

December 31, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
ASSETS					
Cash and equivalents	\$ 9,158	\$ 938,462	\$ 50,407	\$ 998,027	\$ 3,870,712
Accounts and advances receivable	944,726	180,608	-	1,125,334	-
Property taxes receivable	-	-	-	-	1,629,105
Prepaid expenditures and deferred charges	129,761	-	1,651	131,412	-
Other	10,000	-	-	10,000	3,493
Total current assets	1,093,645	1,119,070	52,058	2,264,773	5,503,310
Capital assets, net of depreciation	9,520,819	2,897,714	52,082	12,470,615	-
Total assets	<u>\$ 10,614,464</u>	<u>\$ 4,016,784</u>	<u>\$ 104,140</u>	<u>\$ 14,735,388</u>	<u>\$ 5,503,310</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Checks in excess of deposits	\$ 1,066,878	\$ 51,423	\$ -	\$ 1,118,301	\$ -
Accounts payable	116,510	118,884	10	235,404	17,193
Accrued wages and related liabilities	415,455	-	-	415,455	-
Deferred revenue	207,285	-	-	207,285	-
Deposits and advances	6,557	-	-	6,557	-
Due to other governmental units	100,000	-	-	100,000	13,775
Notes payable	-	-	-	-	1,220,000
Total liabilities	1,912,685	170,307	10	2,083,002	1,250,968
NET ASSETS					
Invested in capital assets, net of related debt	9,520,819	2,897,714	52,082	12,470,615	-
Restricted for capital acquisitions	9,158	-	-	9,158	-
Unrestricted	(828,198)	948,763	52,048	172,613	4,252,342
Total net assets	8,701,779	3,846,477	104,130	12,652,386	4,252,342
Total liabilities and net assets	<u>\$ 10,614,464</u>	<u>\$ 4,016,784</u>	<u>\$ 104,140</u>	<u>\$ 14,735,388</u>	<u>\$ 5,503,310</u>

* Major funds

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

For the year ended December 31, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
Operating revenue					
Charges for sales and services	\$ 7,523,718	\$ 2,948,194	\$ 158,722	\$ 10,630,634	\$ 275,193
Operating expenses					
Personnel services	6,395,692	691,891	15,376	7,102,959	-
Contractual services	1,617,820	1,441,728	97,656	3,157,204	34,202
Supplies	-	44,750	12,305	57,055	-
Heat, light and power	-	66,325	-	66,325	-
Prizes and premiums	-	-	71,744	71,744	-
Other	180,338	127,919	1,919	310,176	-
Depreciation	566,602	223,022	9,827	799,451	-
Total operating expenses	8,760,452	2,595,635	208,827	11,564,914	34,202
OPERATING INCOME (LOSS)	(1,236,734)	352,559	(50,105)	(934,280)	240,991
Nonoperating revenues (expenses)					
Grants - State	29,543	1,612	36,709	67,864	-
Rent	-	-	17,185	17,185	-
Contributions, other sources	-	-	18,690	18,690	-
Interest revenue	-	45,298	951	46,249	648,270
Loss on sale of property	(65,638)	-	-	(65,638)	-
Interest expense	-	-	-	-	(77,286)
Total nonoperating revenues	(36,095)	46,910	73,535	84,350	570,984
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(1,272,829)	399,469	23,430	(849,930)	811,975
Operating transfers in (out)	200,000	-	-	200,000	(526,600)
Equity transfer from Emmet County Building Authority	2,083,785	-	-	2,083,785	-
CHANGE IN NET ASSETS	1,010,956	399,469	23,430	1,433,855	285,375
Net assets, beginning of year	7,690,823	3,447,008	80,700	11,218,531	3,966,967
Net assets, end of year	\$ 8,701,779	\$ 3,846,477	\$ 104,130	\$ 12,652,386	\$ 4,252,342

* Major funds

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended December 31, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,310,089	\$ 2,969,930	\$ 158,722	\$ 10,438,741	\$ 277,211
Cash payments to employees and suppliers	(8,163,892)	(2,368,867)	(128,680)	(10,661,439)	(31,119)
Cash payments of prizes and premiums	-	-	(71,744)	(71,744)	-
Net cash provided (used) by operating activities	(853,803)	601,063	(41,702)	(294,442)	246,092
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds	-	-	-	-	3,800,000
Repayment of bond principle	-	-	-	-	(4,245,000)
Interest paid on bonds	-	-	-	-	(77,286)
Tax collection proceeds	-	-	-	-	2,848,939
Operating transfers from other funds	200,000	-	-	200,000	(526,600)
Operating transfers from other governmental units	-	-	-	-	(1,930)
Patient trust withdrawals	(3,295)	-	-	(3,295)	-
Purchase of taxes	-	-	-	-	(2,605,780)
Grants and contributions received	-	1,612	36,709	38,321	-
Net cash provided by non-capital and related financing activities	196,705	1,612	36,709	235,026	(807,657)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(58,178)	(1,251,327)	(32,340)	(1,341,845)	-
Disposals of capital assets	-	17,260	-	17,260	-
Contributions	29,543	-	18,690	48,233	-
Net cash provided by rental activities	-	-	17,185	17,185	-
Net cash provided (used) by capital and related financing activities	(28,635)	(1,234,067)	3,535	(1,259,167)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	-	45,298	951	46,249	648,270
NET INCREASE (DECREASE) IN CASH	(685,733)	(586,094)	(507)	(1,272,334)	86,705
Cash, beginning of year	(371,987)	1,473,133	50,914	1,152,060	3,784,007
Cash, end of year	<u>\$ (1,057,720)</u>	<u>\$ 887,039</u>	<u>\$ 50,407</u>	<u>\$ (120,274)</u>	<u>\$ 3,870,712</u>
COMPONENTS OF CASH					
Cash and cash equivalents	\$ 9,158	\$ 938,462	\$ 50,407	\$ 998,027	\$ 3,870,712
Checks in excess of deposits	(1,066,878)	(51,423)	-	(1,118,301)	-
Cash, end of year	<u>\$ (1,057,720)</u>	<u>\$ 887,039</u>	<u>\$ 50,407</u>	<u>\$ (120,274)</u>	<u>\$ 3,870,712</u>

* Major funds

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2005

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and equivalents	\$ -	\$ 1,229,949
Investments	11,458,465	-
Accounts receivable, net	-	242,936
Total assets	<u>\$11,458,465</u>	<u>\$ 1,472,885</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to other funds	\$ -	\$ 381,790
Due to other governmental units	-	974,432
Due to inmates	-	114,446
Deposits	-	2,217
Total liabilities	-	<u>1,472,885</u>
NET ASSETS		
Reserved for employees' retirement systems	<u>\$11,458,465</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended December 31, 2005

	Pension Trust Funds
ADDITIONS TO NET ASSETS	
Employer contributions	\$ 939,097
Investment earnings	<u>630,499</u>
Total additions	<u>1,569,596</u>
DEDUCTIONS FROM NET ASSETS	
Benefit payments	882,570
Other expenses	<u>44,599</u>
Total deductions	<u>927,169</u>
NET CHANGE IN NET ASSETS	642,427
Net assets available for benefits, beginning of year	<u>10,816,038</u>
Net assets available for benefits, end of year	<u><u>\$11,458,465</u></u>

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF NET ASSETS - EMMET COUNTY ROAD COMMISSION

December 31, 2005

ASSETS

Cash and equivalents	\$ 1,085,446
Accounts receivable	
Michigan Transportation Fund	571,797
State - trunkline maintenance	131,829
State - other	11,006
Sundry accounts	54,242
Due from primary government	25,029
Inventory	
Road materials	333,067
Equipment, parts and materials	138,148
Capital assets, net of accumulated depreciation	<u>9,629,769</u>
Total assets	<u>\$ 11,980,333</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	
Accounts payable	\$ 122,427
Accrued liabilities	30,236
Advances from State	224,653
Deferred revenue	188,539
Interest payable	7,176
Escrow payable	521
Installment purchase agreements payable	131,182
Bonds payable	144,292
Noncurrent liabilities	
Vested employee benefits	210,982
Installment purchase agreements payable	644,542
Bonds payable	<u>1,933,520</u>
Total liabilities	<u>3,638,070</u>

NET ASSETS

Invested in capital assets, net of related debt	6,769,057
Restricted for County Road Commission	<u>1,573,206</u>
Total net assets	<u>8,342,263</u>
Total liabilities and net assets	<u>\$ 11,980,333</u>

The accompanying notes are an integral part of these financial statements.

County of Emmet

STATEMENT OF ACTIVITIES - EMMET COUNTY ROAD COMMISSION

For the year ended December 31, 2005

PROGRAM EXPENSES

Primary road maintenance	\$ 1,635,172
Local road maintenance	1,678,545
State trunkline maintenance	733,494
Net equipment expense	209,980
Net administrative expense	410,800
Other	10,372
Interest expense	74,052
Depreciation - unallocated	<u>156,062</u>
Total program expenses	<u>4,908,477</u>

PROGRAM REVENUES

License permits	41,550
Federal grants	488,346
State grants	3,859,249
Contributions from local units	1,922,111
Charges for services	<u>1,195,776</u>
Total program revenues	<u>7,507,032</u>

NET PROGRAM REVENUES

2,598,555

General revenues

Investment earnings	13,689
Gain on equipment disposal	<u>309</u>
Total general revenues	<u>13,998</u>

CHANGE IN NET ASSETS

2,612,553

Net assets, beginning of year	<u>5,729,710</u>
Net assets, end of year	<u><u>\$ 8,342,263</u></u>

The accompanying notes are an integral part of these financial statements.

County of Emmet, Michigan

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The County of Emmet, Michigan (the "County") was organized in 1853 and covers an area of 461 square miles divided into 16 townships, 3 villages and 2 cities. The County Seat is located in the City of Petoskey. The County operates under an elected county Board of Commissioners (seven members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The component units discussed below are included in the County's financial reporting entity because of the significance of their operational or financial relationships with the County.

The Financial Reporting Entity

The County's financial statements include the accounts of all County operations. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the County is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the County. Additionally, the County is required to consider other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

Based on this criteria, the County has identified the following blended and discretely presented component units requiring inclusion in the County's financial statements and other jointly governed organizations evaluated:

BLENDDED COMPONENT UNIT

Emmet County Building Authority

The Emmet County Building Authority (the "Building Authority") is governed by a three-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

NOTES TO FINANCIAL STATEMENTS - Continued

DISCRETELY PRESENTED COMPONENT UNIT

Emmet County Road Commission

The Emmet County Road Commission (the "Road Commission"), which is established pursuant to the County Road Law (MCL 224.1), is governed by a three-member Board of County Road Commissioners appointed by the Emmet County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

The component unit financial statements include the financial data of the Emmet County Road Commission. These financial statements are reported in a discrete manner to emphasize that they are legally separate from the County.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk's Office at the courthouse.

Administrative Offices

Emmet County Building Authority
County Controller
200 Division
Petoskey, MI 49770

Emmet County Road Commission
2265 East Hathaway Road
Harbor Springs, MI 49470

JOINTLY GOVERNED ORGANIZATIONS

Northwest Michigan Community Health Agency

Antrim, Charlevoix, Emmet and Otsego Counties participate jointly in the operation of the Northwest Michigan Community Health Agency. All of the financial operations of the District Health Agency are reported in the financial statements of Charlevoix County. The funding formula approved by the member counties is based pro rata on each county's population and equalized valuation to the district's total population and valuation.

A copy of the audit report may be acquired from Northwest Michigan Community Health Agency, 220 West Garfield, Charlevoix, Michigan 49720.

North Country Community Mental Health Services

North Country Community Mental Health (the "Authority") was created on April 1, 2003, as an independent Mental Health Authority, by the counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego under Public Act 290, P.A. 1995. The Authority's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six county area it serves. It is governed by an 18 member board, with each county commission appointing its pro-rata representation based on population.

NOTES TO FINANCIAL STATEMENTS - Continued

The Authority is not a component unit of any other reporting entity. A copy of the audit report may be acquired from North Country Community Mental Health Services Board, One MacDonald Drive, Suite A, Petoskey, MI 49770.

CCE Central Dispatch Authority

The County of Emmet has entered into a joint operating agreement with the bordering counties of Charlevoix and Cheboygan. Under the agreement, the three participating counties have agreed to establish and operate the CCE Central Dispatch Authority (the "Authority"), a 911 central dispatch service in the three county area. A member of the County's Board of Commissioners serves on the Board of the Authority. Based on a formula specified in the agreement, the County is obligated to fund its portion of the expenditures to operate the Authority.

The Authority is not a component unit of any other reporting entity. Audited financial statements for the CCE Central Dispatch Authority can be obtained by contacting the CCE Central Dispatch Authority's office, 1694 South US 131 Highway, Petoskey, MI 49770.

Emmet County Department of Human Services

The Department of Human Services ("DHS") Board consists of two members appointed by Emmet County's Board of Commissioners and one member appointed by the governor. The DHS Board meets jointly with the Charlevoix County Department of Human Services Board. The combined financial operation of the Department of Human Services of Emmet and Charlevoix Counties is reported by Charlevoix County. The DHS Board also oversees the operations of the Emmet County Medical Care Facility, which is included with Emmet County's enterprise funds.

Audited financial statements for Charlevoix County, including the Department of Human Services, can be obtained from the Charlevoix County Clerk's office, 203 Antrim Street, Charlevoix, MI 49720.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

As permitted by the Michigan Department of Treasury under Statement No. 7 of the Michigan Committee on Governmental Accounting and Auditing, the County has elected to omit the statements of net assets and activities, which are intended to display information about the County as a whole

Fund Financial Statements

The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net assets; and statements of cash flows (i.e., fund financial statements) for the County's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund assets, liabilities, revenues or expenditures.

NOTES TO FINANCIAL STATEMENTS - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The fund financial statements of the County are prepared in accordance with *Generally Accepted Accounting Principles* ("GAAP"). The County applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The County does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances which are recorded on governmental fund balance sheets. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Fund Types and Major Funds

Activities in Major Funds

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial resources except those provided for in other funds. Revenues are primarily derived from property taxes, State and Federal Aid and charges for services to provide for the administration and operation of: (1) general County governmental departments, board and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the County.

Revenue Sharing Fund - This fund is used to account for the funding mechanism to serve as a substitute to state revenue sharing payments.

NOTES TO FINANCIAL STATEMENTS - Continued

Building Authority Renovation Fund - This fund is used to account for costs associated with renovation of various County properties.

PROPRIETARY FUNDS

Medical Care Facility - This fund is used to account for the operations of the County Medical Care Facility. Financing is provided by charges for services, and when necessary, General Fund Operating transfers.

Disposal and Recycle Systems - This fund is used to account for the operations of the County Sanitary Transfer Station and Recycling Center. Financing is primarily provided by charges for services and sale of recyclable materials.

Activities in Non-Major Funds

GOVERNMENTAL FUNDS

Special Revenue Funds - These funds are used to account for specific revenue (other than special assessments, expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Debt Service Funds - These funds are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

Capital Project Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by Proprietary Fund operations.

PROPRIETARY FUNDS

Enterprise Funds - These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the purchase of delinquent real property taxes from local units of government.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds are Pension Trust Funds and Agency Funds.

NOTES TO FINANCIAL STATEMENTS - Continued

Budgets and Budgetary Accounting

Budgets are adopted by the County Board of Commissioners for the primary government's General and Special Revenue Funds. The Board of County Road Commissioners adopts a budget for the discretely presented component unit. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level and control is exercised at the functional level.

The County does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Cash and Investments

The County pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the County considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amount which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

Interfund Transactions and Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements.

Operating transfers in and out arise in the normal course of operations from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventories

The primary government's inventory is stated at the lower-of-cost or market using the first-in, first-out method.

The Emmet County Road Commission's inventory is stated at the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

NOTES TO FINANCIAL STATEMENTS - Continued

Property, Plant and Equipment of Proprietary Funds

Property, plant and equipment used in proprietary funds are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The County generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. Expenditures for major renewals and maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land or construction in process. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The estimated useful lives, in years, for depreciable assets are as follows:

Land improvements	15 years
Buildings and improvements	20 - 50 years
Equipment	5 - 10 years

General Fixed Assets

General fixed assets are not reported in the financial statements but are accounted for and disclosed in these notes.

General fixed assets are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Assets acquired using State and Federal grants not administered by the County (i.e. airport improvements) and public infrastructure not used by a proprietary fund are not accounted for. Property, plant and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure.

Capital Assets of Discretely Presented Component Unit

Capital assets include property, plant, equipment and infrastructure assets (e.g., road, bridges and similar items), and are stated at historical costs or estimated historical cost of purchase or construction. Capital assets are defined by Emmet County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ended June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Emmet County Road Commission has capitalized only the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure assets in the statement of net assets.

NOTES TO FINANCIAL STATEMENTS - Continued

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road equipment	5 to 8 years
Shop equipment	10 years
Engineering department	4 to 10 years
Office equipment	4 to 10 years
Infrastructure - roads	8 to 30 years
Infrastructure - bridges	12 to 50 years

Property Taxes

The County property tax is levied each July 1 and December 1 on the taxable valuation of property located in the County as of the preceding December 31. Public Act 357 provides a funding mechanism to serve as a substitute to State revenue sharing payments which involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy. This shift will occur evenly over the three year period from 2005 to 2007.

It is the County's policy to report the winter tax levy in the financial statements as deferred revenue to the extent it will be used to fund future activities and recognize revenues in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. The amount of the current levy that must be deposited in the Revenue Sharing Reserve Fund is recognized as revenue in the current period. Collection of taxes from the winter tax levy, which are received prior to year-end, are held in the Trust and Agency Fund.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

Certain governmental and proprietary funds and similar component unit assets are restricted for construction funded through long-term debt, passenger facility charges and Federal grant revenues. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt.

Tax Revolving Funds

The County maintains tax revolving funds for delinquent taxes purchased from each of the taxing units within the County. These purchases are financed by issuing general obligation limited tax notes when necessary. Interest and collection fees earned on the taxes collected and interest earned on investments of each of the funds are restricted to meet the obligations of the notes. When the notes are retired, any remaining money may be transferred to the General Fund.

NOTES TO FINANCIAL STATEMENTS - Continued

Compensated Absences

Primary Government. The County's policy is to grant employees 12 leave days per year. Prior to the end of the year, employees are paid for any remaining unused leave days at \$100 per day and are not allowed to carryover days to the next year. Consequently, there is no liability for accumulated unpaid leave.

Employees earn vacation leave benefits on their anniversary date, the amount of which is dependent on their length of employment. Benefits must be used within one year and cannot be carried over. Accordingly, all accrued vacation is recorded as a current liability in the applicable funds.

Component Unit. In accordance with contracts negotiated with the various employee groups of the Road Commission, employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

Employees are compensated 100% of their vested vacation leave upon death, retirement or resignation. Sick leave vests upon death or retirement, limited to 50% of their total accumulated sick time up to a maximum of 50 days.

Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reserves of fund equity represent portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Unrestricted net assets of Proprietary Funds represent the net assets that have not been legally identified for specific purposes.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B - BUDGETARY POLICY AND PRACTICE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2005, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General government	\$ 3,348,757	\$ 3,692,202	\$ 343,445
Public safety	4,516,675	4,537,086	20,411
Public works - airport	1,918,787	2,321,385	402,598
Parks and recreation	221,260	224,297	3,037
Contributions to other organizations	1,201,540	1,297,445	95,905
Public Improvement Fund			
Capital outlay	103,150	126,351	23,201
Register of Deeds Fund			
Capital outlay	35,000	39,195	4,195
Law Library Fund			
Judicial	14,000	14,806	806
Soldiers' Relief Fund			
Health and Welfare	20,000	21,756	1,756
Veterans' Trust Fund			
Health and Welfare	6,500	10,377	3,877
S.A.N.E. Fund			
Public Safety	360,271	480,797	120,526
Operating Contingency Fund			
Other	-	50,000	50,000

NOTE C - DEPOSITS AND INVESTMENTS

The funds of the County are deposited and invested as permitted under Act 20 P.A. 1943, as amended by Act 196 P.A. 1997. Pension trust funds are invested as permitted under Act 314 P.A. 1965, as amended.

At December 31, 2005, the County's cash and investments include the following:

	<u>Primary Government</u>			<u>Component Unit</u>			
	<u>Deposits</u>	<u>Investments</u>	<u>Pension Trust Funds</u>	<u>Deposits</u>	<u>Investments</u>		<u>Total</u>
Carrying amounts							
Cash and equivalents	\$15,114,275	\$1,081,814	\$ -	\$ 5,800	\$1,079,646		\$17,281,535
Checks issued in excess of deposits	(1,118,301)	-	-	-	-		(1,118,301)
Investments	-	-	11,458,465	-	-		11,458,465
	<u>\$13,995,974</u>	<u>\$1,081,814</u>	<u>\$11,458,465</u>	<u>\$ 5,800</u>	<u>\$1,079,646</u>		<u>\$27,621,699</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Deposits

Michigan law permits the County to deposit in the accounts of Federally insured banks, credit unions and savings and loans associations located in Michigan.

Custodial Credit Risk-Deposits

In the event of bank failure, the County's uninsured deposits may not be returned to it. As of December 31, 2005, \$14,235,556 and \$0 of the Primary Government's and Component Unit's deposits were exposed to custodial credit risk respectively, because they were uninsured and uncollateralized.

Investments

Michigan law permits the County to invest in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit, savings, deposit and money market accounts.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain obligations of the State of Michigan or its political subdivisions.
7. Certain mutual funds.
8. Certain investment pools.

At December 31, 2005, the County's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Current Maturities</u>
Money Market Funds	<u>\$ 2,161,460</u>	<u>\$ 2,161,460</u>

Custodial Credit Risk - Investments

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: Limiting investments to the type of securities allowed by law; and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the County will do business.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates. In accordance with the County's investment policy, the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

NOTES TO FINANCIAL STATEMENTS - Continued

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. More than five percent of the primary government's investments are in Bank One and MBIA money market funds. These investments are 47% and 53%, respectively, of the primary government's total investments.

100% of the component unit's investments are in Fifth Third money market funds.

Pension Trust Funds

Michigan law permits the County's investment fiduciary to invest in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certain commercial paper.
3. United States Government repurchase agreements.
4. Banker's acceptance of United States banks.
5. Certain mutual funds.
6. Certificates of deposit.
7. Savings and money market accounts.

At December 31, 2005, the County's Pension Trust Funds consisted of the following:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Current Maturities</u>
Money Market Funds	\$ 363,217	\$ 363,217
Equity Mutual Funds	6,733,596	6,733,596
Balanced Mutual Funds	929,580	929,580
Bond Mutual Funds	2,465,776	2,465,776
Guaranteed Investment Contracts	<u>966,296</u>	<u>966,296</u>
	<u>\$ 11,458,465</u>	<u>\$ 11,458,465</u>

<u>Plan</u>	<u>Fair Market Value</u>
Defined Benefit	\$ 5,585,416
Defined Contribution	<u>5,873,049</u>
	<u>\$ 11,458,465</u>

Custodial Credit Risk - Pension Trust Funds

The County's investment fiduciaries will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: Limiting investments to the type of securities allowed by law; and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the Fiduciary will do business.

NOTES TO FINANCIAL STATEMENTS - Continued

Interest Rate Risk

The County's defined benefit plan investment fiduciaries will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates; by: Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Plan's cash requirements.

The defined contribution plan is a participant directed plan.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to a prime or better rating by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. As of December 31, 2005, the County's investments in bond mutual funds were rated by Standard & Poor's as follows:

<u>Bond Mutual Fund</u>	<u>Fair Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
<i>Defined Benefit Plan</i>			
Fifth Third Bond Fund	\$ 545,333	Aa1	Standard & Poor's
Fifth Third Intermediate Bond Fund	973,422	Aa2	Standard & Poor's
Fifth Third Short-Term Bond Fund	648,262	Aa1	Standard & Poor's
<i>Defined Contribution Plan</i>			
Morley Cap Short Bond	54,478	AAA	Morningstar
Vanguard Inflation Protection SEC Fund	64,669	AAA	Morningstar
Others	<u>179,612</u>	AAA to B	Morningstar
Total	<u>\$ 2,465,776</u>		

NOTES TO FINANCIAL STATEMENTS - Continued

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. As of December 31, 2005, more than five percent of the County's Pension Trust Funds are invested in the following:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percentage of Total Pension Trust Funds</u>
<i>Defined Benefit Plan</i>		
Fifth Third Intermediate Bond Fund	\$ 973,422	8.5 %
Fifth Third Short-Term Bond Fund	648,262	5.7 %
Fifth Third Quality Growth Fund	1,031,544	9.0 %
Fifth Third Disciplined Large Value Fund	888,617	7.8 %
<i>Defined Contribution Plan</i>		
Nationwide Fixed Account	856,492	7.5 %

NOTE D - PROPERTY TAXES

2004 Tax Levy

The 2004 taxable valuation of Emmet County amounted to \$2.260 billion, on which ad valorem taxes of 4.85 allocated mills were levied for County operating purposes, an extra-voted 0.4867 mills were levied for 2005 Senior Citizens' programs, 0.4867 mills were levied for 2005 Medical Care Facility renovation debt retirement and 0.15 mills were levied for 2005 ambulance and emergency medical services.

The December 2004 tax levy raised current tax revenue of \$7.31 million for 2005 County operations, \$1.10 million for the 2005 Senior Citizens' programs, \$1.10 million for the 2005 Medical Care Facility renovation debt retirement, and \$339,000 for 2005 ambulance and emergency medical services. These amounts are recognized in the respective General, Special Revenue and Debt Service Funds' financial statements as revenue. In addition, \$3.65 million of the 2004 County operations tax levy was reallocated to the Revenue Sharing Fund and recognized as tax revenue in 2004 as a result of Public Act 357. (See below).

2005 Tax Levy

The 2005 taxable valuation of Emmet County amounted to \$2.400 billion, on which ad valorem taxes of 1.617 and 3.233 allocated mills were levied for 2005 and 2006 County operating purposes respectively. An extra-voted 0.4838 mills were levied for 2006 Senior Citizens' programs, 0.4838 mills were levied for 2006 Medical Care Facility renovation debt retirement and 0.1491 mills were levied for 2006 ambulance and emergency medical services.

NOTES TO FINANCIAL STATEMENTS - Continued

The July 2005 tax levy raised current tax revenues of \$3.88 million for County operations. The December 2005 tax levy raised deferred tax revenue of \$7.76 million for 2006 County operations, \$1.16 million for the 2006 Senior Citizens' programs, \$1.16 million for 2006 Medical Care Facility renovation debt retirement and \$358,000 for 2006 ambulance and emergency medical services. In the General Fund, \$3.65 million of the deferred 2005 General Fund tax levy was reallocated to the Revenue Sharing Reserve Fund and recognized as current year tax revenues as a result of Public Act 357. (See below).

Revenue Sharing Reserve - Public Act 357

The County was required to establish a restricted fund to account for the accumulation of the revenue sharing reserve. The sum total of the County's December 2004 property tax levy of \$10.96 million will be placed in the fund evenly in three annual payments of \$3.65 million from each of the County's December 2004-2006 property tax levies. Annually, the County may make use of the revenue sharing reserve in amounts equal to its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation. The spendable amount of the Revenue Sharing Fund's fund balance of \$773,805 was transferred to the General Fund during 2005. The remaining spendable amount of the Revenue Sharing Fund's fund balance is \$0 at December 31, 2005.

Delinquent

The delinquent taxes receivable recorded in the Delinquent Tax Revolving Internal Service Funds consist of uncollected real property taxes which became delinquent prior to December 31, 2005, as follows:

2004	\$ 1,385,780
2003	208,902
2002	22,394
2001	2,764
2000	492
1999	8,224
1998	<u>549</u>
Total delinquent taxes receivable	<u><u>\$ 1,629,105</u></u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 381,790	General Fund	\$ 3,653,456
S.A.N.E.	7,229	Trust and Agency	381,790
Revenue Sharing	<u>3,653,456</u>	S.A.N.E. Adjudicated	<u>7,229</u>
Total	<u><u>\$ 4,042,475</u></u>	Total	<u><u>\$ 4,042,475</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - INVESTMENT IN CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended December 31, 2005:

Governmental Activities - General Fixed Assets

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Land	\$ 6,298,571	\$ -	\$ (15,000)	\$ 6,283,571
Land improvements	4,438,841	2,036,275	-	6,475,116
Buildings and improvements	29,349,766	7,711,202	(1,994,167)	35,066,801
Equipment	5,001,130	359,102	-	5,360,232
Vehicles	1,232,255	109,934	(69,890)	1,272,299
Airport Master Plan	55,999	-	-	55,999
Total	<u>\$ 46,376,562</u>	<u>\$ 10,216,513</u>	<u>\$ (2,079,057)</u>	<u>\$ 54,514,018</u>

Disposition of County general fixed assets of \$1,994,167 are equity transfers from the Emmet County Building Authority (a Governmental Fund) to the Medical Care Facility (an Enterprise Fund).

Business-Type Activities - Enterprise Funds

	<u>Beginning</u>	<u>Capital Acquisitions and Equity Transfers</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Land and improvements	\$ 133,938	\$ -	\$ -	\$ 133,938
Buildings, structures and improvements	9,670,431	2,297,344	(333,027)	11,634,748
Equipment	<u>3,102,220</u>	<u>526,808</u>	<u>(5,223)</u>	<u>3,623,805</u>
Total depreciable assets	12,906,589	2,824,152	(338,250)	15,392,491
Less accumulated depreciation	(3,182,909)	(799,451)	272,612	(3,709,748)
Construction in progress	<u>35,012</u>	<u>770,120</u>	<u>(17,260)</u>	<u>787,872</u>
Total capital assets, net	<u>\$ 9,758,692</u>	<u>\$ 2,794,821</u>	<u>\$ (82,898)</u>	<u>\$ 12,470,615</u>

Depreciation expense was charged to programs of the Primary Government as follows:

Medical Care Facility	\$ 566,602
Disposal and Recycle Systems	223,022
Fair Committee	<u>9,827</u>
	<u>\$ 799,451</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Component Unit

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Land and land improvements	\$ 864,934	\$ 13,620	\$ -	\$ 878,554
Buildings	3,653,634	-	-	3,653,634
Equipment				
Road	6,162,745	357,485	(6,562)	6,513,668
Shop	196,900	1,485	-	198,385
Office	106,711	3,278	-	109,989
Engineers	64,133	-	-	64,133
Yard and storage	193,606	-	-	193,606
Infrastructure - roads	1,061,716	1,947,992	-	3,009,708
Depletable assets (gravel pits)	<u>131,801</u>	<u>-</u>	<u>-</u>	<u>131,801</u>
Total depreciable assets	12,436,180	2,323,860	(6,562)	14,753,478
Land and improvements	37,094	-	-	37,094
Infrastructure improvements	1,042,881	917,365	-	1,960,246
Construction-in-process	-	88,306	-	88,306
Less accumulated depreciation	<u>(6,607,903)</u>	<u>(607,823)</u>	<u>6,371</u>	<u>(7,209,355)</u>
Total capital assets, net	<u>\$ 6,908,252</u>	<u>\$ 2,721,708</u>	<u>\$ (191)</u>	<u>\$ 9,629,769</u>

Depreciation expense was charged to programs of the Emmet County Road Commission as follows:

Equipment expense	\$ 348,686
Administrative	10,735
Indirect	108,584
Unallocated - infrastructure	<u>139,818</u>
Total depreciation expense	<u>\$ 607,823</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G - LONG-TERM LIABILITIES

A summary of long-term debt transactions for the year ended December 31, 2005 follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Primary Government					
General obligation bonds	\$ 19,510,000	\$ -	\$ 1,380,000	\$ 18,130,000	\$ 1,625,000
Notes payable	2,685,316	-	238,679	2,446,637	248,583
General obligation limited tax notes	1,665,000	3,800,000	4,245,000	1,220,000	-
Compensated absences*	<u>310,786</u>	<u>26,579</u>	<u>-</u>	<u>337,365</u>	<u>337,365</u>
Total Primary Government	<u>\$ 24,171,102</u>	<u>\$ 3,826,579</u>	<u>\$ 5,863,679</u>	<u>\$ 22,134,002</u>	<u>\$ 2,210,948</u>
Component Unit					
Installment payables	\$ 2,383,384	\$ -	\$ 305,572	\$ 2,077,812	\$ 144,292
Compensated absences*	<u>200,610</u>	<u>10,372</u>	<u>-</u>	<u>210,982</u>	<u>-</u>
Total Component Unit	<u>\$ 2,583,994</u>	<u>\$ 10,372</u>	<u>\$ 305,572</u>	<u>\$ 2,288,794</u>	<u>\$ 144,292</u>

* Compensated absences new debt represents the net effect of additional vacation days earned and used during the year.

Primary Government

General Long-Term Debt

General Obligation Bonds

\$8,050,000 2002 Series Emmet County Building Authority bonds (Medical Care Facility); due in annual installments of \$800,000 to \$1,250,000 through May 2011; interest rate of 3.75% to 3.85%.

\$ 6,250,000

\$13,250,000 2003 Series Emmet County Building Authority bonds; due in annual installments of \$825,000 to \$1,355,000 through May 2017; interest rate of 2.0% to 5%.

11,880,000

Total general obligation bonds

18,130,000

Building Authority bonds are secured by Limited Tax Full Faith and Credit General Obligation Contracts of lease which require the County to provide cash rental payments to the Authority in amounts sufficient to pay bond obligations as they become due. Inasmuch as the County is the sole member of the Authority and rental payments correspond exactly with debt service requirements, no effect is given the lease agreement for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS - Continued

Notes Payable

Land contract payable; secured by property; monthly payments of \$3,290 beginning January 1, 2003, including interest at 4%; final payment due January 1, 2012.

\$ 240,728

Note payable to a bank; secured by property; monthly payments of \$15,323 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014.

1,323,580

Note payable to a bank; secured by property; monthly payments of \$8,172 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014.

705,863

Note payable to a bank; secured by property; monthly payments of \$2,043 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014.

176,466

Total notes payable

2,446,637

Compensated absences

337,365

Total general long-term debt

20,914,002

Proprietary Fund Debt

General Obligation Limited Tax Notes

\$3.8 million 2005 general obligation limited tax notes; variable principle payments due based on receipt of delinquent taxes with entire balance due by June 28, 2007; interest at a variable rate set with respect to the specified interest index; secured by delinquent property taxes.

1,220,000

Total liabilities - primary government

\$ 22,134,002

Component Unit

Installment Payables

\$2,330,543 installment payable to Emmet County Building Authority; due in remaining annual installments of \$130,300 to \$236,989 through May 2017; interest rate of 2.4% to 4.25%. Payments to the Building Authority correspond to payments required of the Building Authority.

\$ 2,077,812

Compensated absences

210,982

Total liabilities - component unit

\$ 2,288,794

NOTES TO FINANCIAL STATEMENTS - Continued

A portion of the 2003 Series Building Authority bonds was allocated to the Road Commission. The amount allocated was \$2,330,543, which refunded \$1,235,000 of outstanding 1995 series bonds and generated net proceeds of \$1,000,000. The Road Commission has agreed to pay its pro-rata share of debt service requirements and, therefore, has reflected the debt on its statement of net assets. The Road Commission's share of the debt is also included in the County's listing of long-term debt.

Debt Service Requirements

Interest expense on long-term liabilities was \$892,618 and \$82,352 for the primary government and component unit, respectively, for the year ended December 31, 2005. The annual requirements to amortize general obligation, notes payable and component unit debt outstanding as of December 31, 2005, including interest payments of \$4,182,024, \$460,139 and \$595,148, respectively, are as follows:

<u>Year Ending December 31,</u>	<u>General Obligation</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
2006	\$ 2,289,675	\$ 345,937	\$ 2,635,612	\$ 221,489
2007	2,364,987	345,937	2,710,924	222,746
2008	2,433,363	345,937	2,779,300	223,534
2009	2,342,687	345,937	2,688,624	197,255
2010	2,445,857	345,937	2,791,794	205,553
2011 - 2015	7,723,205	1,177,091	8,900,296	1,128,011
2016 - 2017	<u>2,712,250</u>	<u>-</u>	<u>2,712,250</u>	<u>474,372</u>
	<u>\$ 22,312,024</u>	<u>\$ 2,906,776</u>	<u>\$ 25,218,800</u>	<u>\$ 2,672,960</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - INTERFUND TRANSFERS

Operating Transfers

A summary of operating transfers in and out of individual funds and component units follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers among primary government funds		
General	\$ 1,497,354	\$ 3,953,736
Friend of the Court	75,000	-
Public Improvement	100,000	-
Tribal Payment	-	161,949
Register of Deeds	-	35,000
Law Library	7,000	-
Revenue Sharing	-	773,805
Medical Care Facility	200,000	-
Child Care	835,000	-
Soldier's Relief	20,000	-
S.A.N.E.	69,573	-
S.A.N.E. Adjudicated	-	52,573
Operating Contingency	815,222	-
Emmet County Building Authority - 2003 Bonds	937,914	-
Medical Care Facility 2002 Bonds	-	305,000
911 Equipment Fund	25,000	-
Park System	57,500	-
Capital Projects	970,338	-
Fairgrounds Project	12,500	-
Building Authority Construction Fund	305,000	-
Airport Facility Fund	-	118,738
Delinquent Tax Revolving - 1999	-	526,600
Total primary government	<u>\$ 5,927,401</u>	<u>\$ 5,927,401</u>

NOTE I - COUNTY OF EMMET RETIREMENT PLAN

Plan Description

The County of Emmet Retirement Plan and Trust (the "Plan") is a single employer defined benefit pension plan administered by the County Board of Commissioners. As such, it is reported with the Pension Trust Funds in the County's financial statements.

The Plan covers employees who are members of the United Steel Workers of America AFL-CIO and other electing employees who met certain age and service requirements as of December 31, 1995, the date after which the County of Emmet Money Purchase Pension Plan and Trust became effective. At December 31, 2005, participants included 96 retirees and beneficiaries currently receiving benefits, 94 inactive or terminated employees entitled to benefits but not yet receiving them and 1 current active employee. The Plan is closed to new entrants.

NOTES TO FINANCIAL STATEMENTS - Continued

The Plan provides retirement and death benefits to Plan members and their beneficiaries, in accordance with the Retirement Plan and Trust Agreement (the "Agreement") entered into between the County and certain unions, pursuant to the provisions of collective bargaining agreements. Benefit provisions may be amended by the Plan administrator subject to the provisions of the applicable collective bargaining agreements.

Funding Policy and Contributions

The County is obligated to contribute amounts required to fund the Plan. The funding policy followed by the County Board of Commissioners allows for contributions to be made at the discretion of the Board after taking into consideration such items as: (1) the funded status of the Plan; (2) recent investment performance; and (3) availability of resources from which to contribute. Employees are not permitted to contribute to the Plan.

During 2005, the contributions to the Plan totaled \$226,857.

NOTE J - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The County contributes to a defined contribution retirement plan, administered by the County Board of Commissioners with the International City Management Association Retirement Corporation ("ICMA"), Hartford Funds, Nationwide, John Hancock Funds, FTJ Fund Choice, LLC and the Mutual Trust Life Insurance Company acting as investment fiduciaries. Contributions are determined by an employment agreement requiring employer contributions of 8% of covered payroll.

The County contributed \$712,240 to the Plan during the year ended December 31, 2005, equal to 8% of covered payroll.

NOTE K - DEFINED BENEFIT PENSION PLAN - COUNTY ROAD COMMISSION

The Emmet County Road Commission participates in the Michigan Municipal Employees Retirement System. Required pension disclosures are included in separately prepared financial statements for the Road Commission. The unfunded pension benefit obligation for the Road Commission Plan at December 31, 2004 was \$2,929,517. Net assets available for benefits totaled \$7,863,505. The actuarial determined minimum employer contributions were made by the Road Commission.

NOTE L - CONTINGENCIES

Grant Programs

The County participates in State and Federally assisted grant programs. The programs are subject to economy and efficiency and program result audits by the grantors or their representatives. The audits of the programs for or including the year ended December 31, 2005 have not yet been conducted. Accordingly, the County's compliance with applicable grant requirements will be established at some future date.

NOTES TO FINANCIAL STATEMENTS - Continued

Legal Matters

There are lawsuits pending in which the County is involved. Except as noted below, the County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial position of the County.

The County acquired property needed for the Pellston Regional Airport Improvement Project through eminent domain proceedings. As part of this undertaking, the County has acquired private property for this project through judicial proceedings in the Emmet County Circuit Court. On March 23, 2005, the County filed a condemnation complaint in that court and has offered, and paid over to the owners, the appraised value of the property of \$526,600 as and for just compensation to the owners. The owners have contested the amount of compensation, contending that the value of the property was \$2,050,000. The County intends to vigorously contest any increase in compensation. No liability has been reported by the County for the year ended December 31, 2005.

NOTE M - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of, assets; errors and omissions; injuries to employees; and natural disaster.

To the extent prudent, the County carries commercial insurance for risks of loss. Such losses have not exceeded insured limits within the past three years.

Component Unit

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims of \$50,000 for each insured event.

The Road Commission continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

NOTE N - JOINT VENTURES***Central Dispatch Authority***

In 1993, the County, with Charlevoix and Cheboygan Counties, jointly established the C.C.E. Central Dispatch Authority (the "Authority"), which is a Michigan municipal body formed by and on behalf of participating municipalities located within the counties of Charlevoix, Cheboygan and Emmet, through the auspices of the Inter-Governmental Contracts Between Municipalities Act, Urban Cooperation Act and Emergency Telephone Services Enabling Act. The purpose of the Authority is to centralize the dispatch of emergency service responders in the three-county area. Dispatch services commenced during June 1996.

The Authority is governed by a Board of Directors consisting of nine members; three representing each county. Of each county's representatives, one is a county commissioner appointed by the county, one is a city/village official (mayor, village president, village trustee, city council member or city manager) selected by a majority vote of all the mayors in the county and one is an elected township official selected by a majority vote of the Michigan Townships Association chapter in the county.

Under the terms of the agreement creating the Authority, each member county is responsible for providing funding, based on a formula, payable quarterly in advance. Nonpayment may result in termination of the Central Dispatch Service. The funding formula, which will be reviewed every five years, calls for each county to provide 20% of the required funding (total 60% for the three counties), plus their pro rata share of the remaining 40%, based on telephone lines. The 2005 allocation percentages and amount of total funding for operations are as follows:

	Total Allocation	
	Percent	Amount
Charlevoix	32.00 %	\$ 419,589
Cheboygan	31.00 %	406,477
Emmet	37.00 %	485,150
Total	100.00 %	\$ 1,311,216

Audited financial information for the Central Dispatch Authority as of December 31, 2005 was not available at the time this report was published.

Northwest Michigan Community Health Agency

The Northwest Michigan Community Health Agency is a Michigan municipal body and an agency of Antrim, Charlevoix, Emmet and Otsego Counties, created under Act 368, Public Acts of 1978. The Agency is a component unit of the County of Charlevoix, Michigan and is used to control the expenditures of revenues from agreements with the State of Michigan, local appropriations and charges for services rendered.

NOTES TO FINANCIAL STATEMENTS - Continued

Member counties' appropriations for the year 2005 were:

Antrim	\$ 179,925
Charlevoix	203,429
Emmet	245,574
Otsego	<u>176,248</u>
	<u><u>\$ 805,176</u></u>

The following financial information has been obtained from the audited financial statements of the Northwest Michigan Community Health Agency as of and for the year ended December 31, 2005:

Total assets	\$ 3,397,336
Total net assets	2,252,911
Total revenues	15,066,713
Total expenditures	14,612,122
Change in net assets	454,591

Department of Human Services

The Departments of Human Services (formerly Family Independence Agencies) of Emmet and Charlevoix Counties were combined as of October 1, 1997. The combined activity is reported in the financial statements of the County of Charlevoix, Michigan.

Emmet County contributed \$14,000 to the Department of Human Services during the year ended December 31, 2005.

North Country Community Mental Health Services

North Country Community Mental Health Services (the "Authority") was created on April 1, 2003, by the Counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego under Public Act 290, P.A. 1995 as successor to the Northern Michigan Community Mental Health Services Board. The Authority's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six county area it serves.

Member counties' appropriations for the year ended September 30, 2005 were:

Antrim	\$ 145,611
Charlevoix	112,446
Cheboygan	111,995
Emmet	131,335
Kalkaska	61,876
Otsego	<u>94,003</u>
	<u><u>\$ 657,266</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

The following financial information has been obtained from the audited financial statements of the North Country Community Mental Health Services as of and for the year ended September 30, 2005:

Total assets	\$ 10,772,373
Total net assets	6,029,552
Total revenues	55,098,810
Total expenditures	54,206,376
Change in net assets	892,434

NOTE O - RECONCILIATION OF CASH FLOWS

A reconciliation of operating income (loss) to net cash provided (used) by operating activities follows:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating income (loss)	\$ (934,280)	\$ 240,991
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	799,451	-
Change in assets and liabilities		
Accounts receivable	(234,454)	-
Other current assets	(85,920)	-
Accounts payable	14,317	5,101
Other accrued liabilities	103,884	-
Deferred proportionate share revenue	<u>42,560</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (294,442)</u>	<u>\$ 246,092</u>

NOTE P - SUBSEQUENT EVENTS

Primary Government

On May 23, 2006 the County issued \$4.19 million of general obligation limited tax notes to fund the purchase of delinquent 2005 property taxes.

Component Unit

Equipment purchases - During January 2006, the Commission executed purchase orders for the acquisition of equipment in the amount of \$775,105. The Board was committed to payments upon receipt of the items. Financing of the obligation occurred during fiscal 2005.

REQUIRED SUPPLEMENTARY INFORMATION

County of Emmet

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the year ended December 31, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 10,843,560	\$ 11,093,824	\$ 11,187,469	\$ 250,264	\$ 93,645
Licenses and permits	760,900	688,600	746,322	(72,300)	57,722
State and Federal grants	885,768	878,673	1,034,719	(7,095)	156,046
Charges for services	2,854,275	3,023,620	3,776,816	169,345	753,196
Fines and forfeits	34,000	38,250	43,876	4,250	5,626
Interest and rentals	364,500	463,350	332,873	98,850	(130,477)
Other revenue	73,000	78,000	532,204	5,000	454,204
Total revenues	<u>15,816,003</u>	<u>16,264,317</u>	<u>17,654,279</u>	<u>448,314</u>	<u>1,389,962</u>
EXPENDITURES					
Legislative	207,370	245,933	188,312	(38,563)	57,621
Judicial	2,154,662	2,197,030	2,111,038	(42,368)	85,992
General government	3,355,628	3,348,757	3,692,202	6,871	(343,445)
Public safety	4,723,760	4,516,675	4,537,086	207,085	(20,411)
Public works - airport	1,739,494	1,918,787	2,321,385	(179,293)	(402,598)
Health and welfare	303,399	287,660	280,483	15,739	7,177
Parks and recreation	187,570	221,260	224,297	(33,690)	(3,037)
Contributions to other organizations	1,178,117	1,201,540	1,297,445	(23,423)	(95,905)
Other	614,586	493,200	435,380	121,386	57,820
Total expenditures	<u>14,464,586</u>	<u>14,430,842</u>	<u>15,087,628</u>	<u>33,744</u>	<u>(656,786)</u>
REVENUES OVER EXPENDITURES	<u>1,351,417</u>	<u>1,833,475</u>	<u>2,566,651</u>	<u>482,058</u>	<u>733,176</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,084,373	2,361,155	1,497,354	1,276,782	(863,801)
Operating transfers out	(2,428,429)	(4,194,021)	(3,953,736)	(1,765,592)	240,285
Total other financing sources (uses)	<u>(1,344,056)</u>	<u>(1,832,866)</u>	<u>(2,456,382)</u>	<u>(488,810)</u>	<u>(623,516)</u>
NET CHANGE IN FUND BALANCES	7,361	609	110,269	(6,752)	109,660
Fund balance, beginning of year	<u>1,366,017</u>	<u>1,390,755</u>	<u>1,390,755</u>	<u>24,738</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,373,378</u>	<u>\$ 1,391,364</u>	<u>\$ 1,501,024</u>	<u>\$ 17,986</u>	<u>\$ 109,660</u>

County of Emmet

BUDGETARY COMPARISON SCHEDULE FOR THE REVENUE SHARING FUND

For the year ended December 31, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ -	\$ 3,653,456	\$ 3,653,456	\$ 3,653,456	\$ -
Interest and rentals	-	12,000	19,802	12,000	7,802
Total revenues	-	3,665,456	3,673,258	3,665,456	7,802
OTHER FINANCING USES					
Operating transfers out	-	(773,805)	(773,805)	(773,805)	-
NET CHANGE IN FUND BALANCES	-	2,891,651	2,899,453	2,891,651	7,802
Fund balance, beginning of year	-	3,653,456	3,653,456	3,653,456	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 6,545,107</u>	<u>\$ 6,552,909</u>	<u>\$ 6,545,107</u>	<u>\$ 7,802</u>

County of Emmet

COUNTY OF EMMET RETIREMENT PLAN AND TRUST SCHEDULE OF FUNDING PROGRESS

For the year ended December 31, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/1992	\$ 3,527,908	\$ 4,145,164	\$ 617,256	85.11 %	\$ 4,442,773	13.89 %
1/1/1993	3,773,940	5,656,908	1,882,968	66.71 %	4,724,531	39.86 %
1/1/1994	4,189,690	6,588,585	2,398,895	63.59 %	4,896,604	48.99 %
1/1/1995	4,395,766	7,281,370	2,885,604	60.37 %	5,137,238	56.17 %
1/1/1996	5,049,694	6,176,081	1,126,387	81.76 %	5,268,607	21.38 %
1/1/1997	4,681,594	5,920,209	1,238,615	79.08 %	4,260,799	29.07 %
1/1/1998	4,769,335	6,055,922	1,286,587	78.75 %	3,456,388	37.22 %
1/1/1999	5,276,313	6,333,448	1,057,135	83.31 %	3,134,483	33.73 %
1/1/2000	5,892,493	6,389,380	496,887	92.22 %	2,832,558	17.54 %
1/1/2001	5,526,986	6,755,225	1,228,239	81.82 %	336,589	364.91 %
1/1/2002	5,281,036	6,871,857	1,590,821	76.85 %	329,011	483.52 %
1/1/2003	4,670,313	7,037,078	2,366,765	66.37 %	276,892	854.76 %
1/1/2004	5,465,506	8,978,322	3,512,816	60.87 %	244,027	1,439.52 %
1/1/2005	5,626,657	8,964,788	3,338,131	62.76 %	242,860	1,374.51 %
1/1/2006	5,591,468	8,950,828	3,359,360	62.47 %	71,874	4,673.96 %

County of Emmet

**COUNTY OF EMMET RETIREMENT PLAN AND TRUST
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For the year ended December 31, 2005

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
1992	\$ 215,573	\$ 120,000	55.7 %
1993	419,840	112,500	26.8 %
1994	517,490	336,740	65.1 %
1995	607,271	135,000	22.2 %
1996	292,825	-	- %
1997	-	37,589	100.0 %
1998	221,189	269,530	121.9 %
1999	26,609	130,306	489.7 %
2000	176,578	236,179	133.8 %
2001	280,466	255,464	91.1 %
2002	516,221	286,472	55.5 %
2003	463,121	409,522	88.4 %
2004	231,116	357,491	154.7 %
2005	241,057	226,857	94.1 %

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2006, the latest actuarial valuation, follows:

Actual cost method	Traditional accrued benefit funding method
Amortization method	Level dollar cost
Asset valuation method	Market value (as provided by Fifth Third Bank and Trust Company)
Actuarial assumptions:	
Investment rate of return	6.75% Pre-retirement
	6.00% Post-retirement
Projected salary increases	None

COMBINING FINANCIAL STATEMENTS

County of Emmet

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2005

Special Revenue Funds

	Ambulance	Friend of the Court	Brownfield Development Authority	Tribal Payment	Public Improvement	Register of Deeds	Law Library	Child Care	Soldiers' Relief	Veterans' Trust	Older Persons	S.A.N.E.
ASSETS												
Cash and equivalents	\$ 33,875	\$ 375,114	\$ 10,400	\$ 370,780	\$ 13,980	\$ 23,259	\$ 9,906	\$ 336,000	\$ 3,403	\$ 2,067	\$ 180,351	\$ 19,482
Accounts and advances receivable	-	-	-	-	-	5,558	-	-	-	-	-	-
Property taxes receivable	324,193	-	-	-	-	-	-	-	-	-	1,056,313	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	7,229
Due from governmental units	-	107,758	-	-	-	-	-	-	-	-	-	58,909
Total assets	\$ 358,068	\$ 482,872	\$ 10,400	\$ 370,780	\$ 13,980	\$ 28,817	\$ 9,906	\$ 336,000	\$ 3,403	\$ 2,067	\$ 1,236,664	\$ 85,620
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ 1,983	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 140,782	\$ 73	\$ -	\$ -	\$ 78,661
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	357,829	-	-	-	-	-	-	-	-	-	1,161,084	-
Accrued wages and related liabilities	-	-	-	-	-	-	-	-	-	-	-	1,979
Total liabilities	357,829	1,983	-	-	-	-	1,000	140,782	73	-	1,161,084	80,640
FUND BALANCES												
Reserved for	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	239	480,889	10,400	370,780	13,980	28,817	8,906	195,218	3,330	2,067	75,580	4,980
Total fund balances	239	480,889	10,400	370,780	13,980	28,817	8,906	195,218	3,330	2,067	75,580	4,980
Total liabilities and fund balances	\$ 358,068	\$ 482,872	\$ 10,400	\$ 370,780	\$ 13,980	\$ 28,817	\$ 9,906	\$ 336,000	\$ 3,403	\$ 2,067	\$ 1,236,664	\$ 85,620

County of Emmet

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - Continued

December 31, 2005

	Special Revenue Funds			Debt Service Funds		Capital Project Funds						Total Other Non-Major Funds
	S.A.N.E. Adjudicated	Operating Contingency		2002 Bonds	2003 Bonds	911 Equipment Fund	Park System	Building Authority Construction	Airport Facility	Capital Projects	Fairground Projects	
ASSETS												
Cash and equivalents	\$ 66,758	\$ 1,983,055	\$ 632,382	\$ 16,143	\$ 348,080	\$ 208,827	\$ 243,167	\$ 186,412	\$ 26,604	\$ 43,399	\$ 5,133,444	
Accounts and advances receivable	-	-	-	-	-	-	-	-	-	-	5,558	
Property taxes receivable	-	-	1,051,910	-	-	-	-	-	-	-	2,432,416	
Due from other funds	-	-	-	-	-	-	-	-	-	-	7,229	
Due from governmental units	-	-	-	-	-	-	-	-	-	-	166,667	
Due from component unit	-	-	-	2,077,812	-	-	-	-	-	-	2,077,812	
Total assets	\$ 66,758	\$ 1,983,055	\$ 1,684,292	\$ 2,093,955	\$ 348,080	\$ 208,827	\$ 243,167	\$ 186,412	\$ 26,604	\$ 43,399	\$ 9,823,126	
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,624	\$ 10,030	\$ -	\$ 416,153	
Due to other funds	7,229	-	-	-	-	-	-	-	-	-	7,229	
Deferred revenue	-	-	1,161,084	-	-	-	-	-	-	-	2,679,997	
Accrued wages and related liabilities	-	-	-	-	-	-	-	-	-	-	1,979	
Total liabilities	7,229	-	1,161,084	-	-	-	-	183,624	10,030	-	3,105,358	
FUND BALANCES												
Reserved for												
Capital projects	-	196,239	-	-	-	-	243,167	2,788	16,574	43,399	502,167	
Debt service	-	-	523,208	16,143	-	-	-	-	-	-	539,351	
Long-term receivable	-	-	-	2,077,812	-	-	-	-	-	-	2,077,812	
Unreserved	59,529	1,786,816	-	-	348,080	208,827	-	-	-	-	3,598,438	
Total fund balances	59,529	1,983,055	523,208	2,093,955	348,080	208,827	243,167	2,788	16,574	43,399	6,717,768	
Total liabilities and fund balances	\$ 66,758	\$ 1,983,055	\$ 1,684,292	\$ 2,093,955	\$ 348,080	\$ 208,827	\$ 243,167	\$ 186,412	\$ 26,604	\$ 43,399	\$ 9,823,126	

County of Emmet

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS

For the year ended December 31, 2005

Special Revenue Funds													
	Ambulance	Friend of the Court	Brownfield Development Authority	Tribal Payment	Public Improvement	Register of Deeds	Law Library	Child Care	Soldiers' Relief	Veterans' Trust	Older Persons	S.A.N.E.	
REVENUES													
Taxes	\$ 337,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,096,611	\$ -	
Federal grants	-	312,877	-	-	19,570	-	-	-	-	-	-	271,485	
State grants	-	53,118	-	-	-	-	-	9,791	-	11,564	-	-	
Charges for services	-	43,834	-	-	-	67,358	-	-	-	-	-	-	
Interest and rentals	42	6,574	-	9,330	260	-	208	1,385	-	-	7,637	609	
Other revenue	-	400	5,000	1,103,976	13,248	-	3,500	88,370	-	-	-	97,515	
Total revenues	337,440	416,803	5,000	1,113,306	33,078	67,358	3,708	99,546	-	11,564	1,104,248	369,609	
EXPENDITURES													
Judicial	-	441,322	-	-	-	-	14,806	-	-	-	-	-	
Public safety	337,201	-	-	-	-	-	-	740,398	21,756	10,377	1,073,209	480,797	
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions to other organizations	-	-	-	820,839	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	126,351	4,195	-	-	-	-	-	-	
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	337,201	441,322	-	820,839	126,351	4,195	14,806	740,398	21,756	10,377	1,073,209	480,797	
REVENUES OVER (UNDER) EXPENDITURES	239	(24,519)	5,000	292,467	(93,273)	63,163	(11,098)	(640,852)	(21,756)	1,187	31,039	(111,188)	
OTHER FINANCING SOURCES (USES)													
Operating transfers in	-	75,000	-	-	100,000	-	7,000	835,000	20,000	-	-	69,573	
Operating transfers out	-	-	-	(161,949)	-	(35,000)	-	-	-	-	-	-	
Total other financing sources (uses)	-	75,000	-	(161,949)	100,000	(35,000)	7,000	835,000	20,000	-	-	69,573	
NET CHANGE IN FUND BALANCE	239	50,481	5,000	130,518	6,727	28,163	(4,098)	194,148	(1,756)	1,187	31,039	(41,615)	
Fund balance, beginning of year	-	430,408	5,400	240,262	7,253	654	13,004	1,070	5,086	880	44,541	46,595	
Fund balance, end of year	\$ 239	\$ 480,889	\$ 10,400	\$ 370,780	\$ 13,980	\$ 28,817	\$ 8,906	\$ 195,218	\$ 3,330	\$ 2,067	\$ 75,580	\$ 4,980	

County of Emmet

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - Continued

For the year ended December 31, 2005

	Special Revenue Funds			Debt Service Funds			Capital Project Funds					Total Other Non-Major Funds
	S.A.N.E. Adjudicated	Operating Contingency	Housing Grant	2002 Bonds	2003 Bonds	911 Equipment Fund	Park System	Building Authority Construction	Airport Facility	Capital Projects	Fairground Projects	
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ 1,095,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,529,816
Federal grants	-	-	-	-	-	-	-	-	-	-	-	603,932
State grants	-	-	-	-	-	-	-	-	-	1,346,973	-	1,421,446
Charges for services	-	-	-	-	-	-	-	-	-	-	-	111,192
Interest and rentals	827	36,276	-	17,372	77,361	5,999	2,781	18,157	3,899	-	656	189,373
Other revenue	101,754	25,300	-	-	8,792	-	-	-	98,053	37,083	3,180	1,586,171
Total revenues	102,581	61,576	-	1,113,179	86,153	5,999	2,781	18,157	101,952	1,384,056	3,836	6,441,930
EXPENDITURES												
Judicial	-	-	-	-	-	-	-	-	-	-	-	456,128
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	42,051	-	-	-	-	-	860,049
Public works - airport	-	-	-	-	-	-	-	-	-	28,687	-	28,687
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	1,845,740
Contributions to other organizations	-	-	-	-	-	-	-	-	-	-	-	820,839
Other	-	50,000	3,819	-	-	-	-	-	-	-	-	53,819
Capital outlay	-	39,485	-	951,700	1,223,287	-	6,480	1,998,188	-	2,312,588	15,811	4,463,613
Debt services	-	-	-	-	-	-	-	-	-	-	-	2,214,472
Total expenditures	-	89,485	3,819	951,700	1,223,287	42,051	6,480	1,998,188	-	2,341,275	15,811	10,743,347
REVENUES OVER (UNDER)	102,581	(27,909)	(3,819)	161,479	(1,137,134)	(36,052)	(3,699)	(1,980,031)	101,952	(957,219)	(11,975)	(4,301,417)
EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Operating transfers in	-	815,222	-	-	937,914	25,000	57,500	305,000	-	970,338	12,500	4,230,047
Operating transfers out	(52,573)	-	-	(305,000)	-	-	-	-	(118,738)	-	-	(673,260)
Total other financing sources (uses)	(52,573)	815,222	-	(305,000)	937,914	25,000	57,500	305,000	(118,738)	970,338	12,500	3,556,787
NET CHANGE IN FUND BALANCE	50,008	787,313	(3,819)	(143,521)	(199,220)	(11,052)	53,801	(1,675,031)	(16,786)	13,119	525	(744,630)
Fund balance, beginning of year	9,521	1,195,742	3,819	666,729	2,293,175	359,132	155,026	1,677,819	259,953	3,455	42,874	7,462,398
Fund balance, end of year	\$ 59,529	\$ 1,983,055	\$ -	\$ 523,208	\$ 2,093,955	\$ 348,080	\$ 208,827	\$ 2,788	\$ 243,167	\$ 16,574	\$ 43,399	\$ 6,717,768

County of Emmet

COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

December 31, 2005

	1998	1999	2000	2001	2002	2003	2004	2005	Totals
ASSETS	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	
Cash and equivalents	\$ 983,179	\$ 192,884	\$ 649,655	\$ 603,052	\$ 851,627	\$ 412,286	\$ 163,602	\$ 14,427	\$ 3,870,712
Property taxes receivable	549	8,224	492	2,764	22,394	208,902	1,385,780	-	1,629,105
Other receivables	-	3,493	-	-	-	-	-	-	3,493
Total assets	\$ 983,728	\$ 204,601	\$ 650,147	\$ 605,816	\$ 874,021	\$ 621,188	\$ 1,549,382	\$ 14,427	\$ 5,503,310
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 3,255	\$ 1,292	\$ 10,700	\$ 1,946	\$ -	\$ -	\$ 17,193
Due to other governmental units	-	-	-	-	-	-	-	13,775	13,775
Notes payable	-	-	-	-	-	-	1,220,000	-	1,220,000
Total liabilities	-	-	3,255	1,292	10,700	1,946	1,220,000	13,775	1,250,968
NET ASSETS - UNRESTRICTED	983,728	204,601	646,892	604,524	863,321	619,242	329,382	652	4,252,342
Total liabilities and net assets	\$ 983,728	\$ 204,601	\$ 650,147	\$ 605,816	\$ 874,021	\$ 621,188	\$ 1,549,382	\$ 14,427	\$ 5,503,310

County of Emmet

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended December 31, 2005

	1998	1999	2000	2001	2002	2003	2004	2005	Totals
	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	
Operating revenues									
Charges for sales and services	\$ -	\$ 41	\$ 73	\$ 615	\$ 5,520	\$ 84,791	\$ 183,760	\$ 393	\$ 275,193
Operating expenses									
Contractual services	-	-	-	-	-	-	34,202	-	34,202
OPERATING INCOME	-	41	73	615	5,520	84,791	149,558	393	240,991
Nonoperating revenues (expenses)									
Interest revenue	22,352	10,671	19,199	18,887	66,547	265,599	244,756	259	648,270
Interest expense	-	-	-	-	-	(11,433)	(65,853)	-	(77,286)
Total nonoperating revenues	22,352	10,671	19,199	18,887	66,547	254,166	178,903	259	570,984
INCOME BEFORE OPERATING TRANSFERS	22,352	10,712	19,272	19,502	72,067	338,957	328,461	652	811,975
Operating transfers out	-	526,600	-	-	-	-	-	-	526,600
CHANGE IN NET ASSETS	22,352	(515,888)	19,272	19,502	72,067	338,957	328,461	652	285,375
Net assets, beginning of year	961,376	720,489	627,620	585,022	791,254	280,285	921	-	3,966,967
Net assets, end of year	\$ 983,728	\$ 204,601	\$ 646,892	\$ 604,524	\$ 863,321	\$ 619,242	\$ 329,382	\$ 652	\$ 4,252,342

County of Emmet

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the year ended December 31, 2005

	1998	1999	2000	2001	2002	2003	2004	2005	Totals
	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	\$ -	\$ 41	\$ 73	\$ 685	\$ 5,520	\$ 86,739	\$ 183,760	\$ 393	\$ 277,211
Cash payments to employees and suppliers	-	-	-	-	3,082	-	(34,201)	-	(31,119)
Net cash provided (used) by operating activities	-	41	73	685	8,602	86,739	149,559	393	246,092
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Proceeds from sale of bonds	-	-	-	-	-	-	3,800,000	-	3,800,000
Repayment of bond principle	-	-	-	-	-	(1,665,000)	(2,580,000)	-	(4,245,000)
Interest paid on bonds	-	-	-	-	-	(11,433)	(65,853)	-	(77,286)
Tax collection proceeds	-	(456)	821	12,306	134,911	1,481,357	1,220,000	-	2,848,939
Operating transfers from (to) other funds	-	(526,600)	-	-	-	-	-	-	(526,600)
Due to other governmental units	-	-	-	-	-	-	(15,705)	13,775	(1,930)
Purchase of taxes	-	-	-	-	-	-	(2,605,780)	-	(2,605,780)
Net cash provided (used) by non-capital financing activities	-	(527,056)	821	12,306	134,911	(195,076)	(247,338)	13,775	(807,657)
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest received	22,352	10,671	19,199	18,887	66,547	265,599	244,756	259	648,270
NET INCREASE (DECREASE) IN CASH									
Cash, beginning of year	22,352	(516,344)	20,093	31,878	210,060	157,262	146,977	14,427	86,705
Cash, end of year	960,827	709,228	629,562	571,174	641,567	255,024	16,625	-	3,784,007
COMPONENTS OF CASH									
Cash and cash equivalents	\$ 983,179	\$ 192,884	\$ 649,655	\$ 603,052	\$ 851,627	\$ 412,286	\$ 163,602	\$ 14,427	\$ 3,870,712

County of Emmet

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

December 31, 2005

ASSETS	<u>Money Purchase Plan</u>	<u>Retirement Plan</u>	<u>Total</u>
Participant directed investments			
Mutual funds	\$ 5,873,049	\$ -	\$ 5,873,049
Non-participant directed investments			
Short term investments	-	159,110	159,110
Equity mutual funds	-	3,258,637	3,258,637
Fixed income mutual funds	<u>-</u>	<u>2,167,669</u>	<u>2,167,669</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 5,873,049</u>	<u>\$ 5,585,416</u>	<u>\$ 11,458,465</u>

County of Emmet

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

December 31, 2005

	Money Purchase Plan	Retirement Plan	Total
ADDITIONS TO NET ASSETS			
Investment income			
Net appreciation in fair value of investments		\$ (39,986)	
Realized gains (losses)		45,570	
Interest and dividends on mutual funds		269,526	
Other investment income		<u>37,620</u>	
Total investment earnings	\$ 317,769	312,730	\$ 630,499
Cash contributions			
Employer	<u>712,240</u>	<u>226,857</u>	<u>939,097</u>
Total additions	<u>1,030,009</u>	<u>539,587</u>	<u>1,569,596</u>
DEDUCTIONS FROM NET ASSETS			
Benefit payments	(335,418)	(547,152)	(882,570)
Other expenses	<u>(3,538)</u>	<u>(41,061)</u>	<u>(44,599)</u>
Total deductions	<u>(338,956)</u>	<u>(588,213)</u>	<u>(927,169)</u>
NET CHANGE IN NET ASSETS	691,053	(48,626)	642,427
Net assets available for benefits, beginning of year	<u>5,181,996</u>	<u>5,634,042</u>	<u>10,816,038</u>
Net assets available for benefits, end of year	<u><u>\$ 5,873,049</u></u>	<u><u>\$ 5,585,416</u></u>	<u><u>\$ 11,458,465</u></u>

County of Emmet

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

December 31, 2005

	Trust and Agency Fund	Cemetery Fund	Library Penal Fund	Inmate Trust Fund	Total
ASSETS					
Cash and deposits	\$ 1,082,886	\$ 423	\$ 92,141	\$ 54,499	\$ 1,229,949
Accounts receivable, net	181,195	-	-	61,741	242,936
Total assets	<u>\$ 1,264,081</u>	<u>\$ 423</u>	<u>\$ 92,141</u>	<u>\$ 116,240</u>	<u>\$ 1,472,885</u>
LIABILITIES					
Due to other funds	\$ 381,790	\$ -	\$ -	\$ -	\$ 381,790
Due to other governmental units	882,291	-	92,141	-	974,432
Due to inmates	-	-	-	114,446	114,446
Deposits	-	423	-	1,794	2,217
Total liabilities	<u>\$ 1,264,081</u>	<u>\$ 423</u>	<u>\$ 92,141</u>	<u>\$ 116,240</u>	<u>\$ 1,472,885</u>

PASSENGER FACILITIES CHARGE PROGRAM



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors
Our clients' success - our business

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners
County of Emmet, Michigan

Compliance

We have audited the compliance of the *County of Emmet, Michigan* (the "County") with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration ("FAA") for its Passenger Facility Charge Program for the year ended December 31, 2005. Compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge Program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its Passenger Facility Charge Program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge Program. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with the Guide.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, caused by error or fraud, that would be material in relation to the Passenger Facility Charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Passenger Facility Charge Funds

We have audited the financial statements of the County of Emmet, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated April 27, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of passenger facility charge funds is presented for the purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the officers, commissioners and management of the County and the Federal Aviation Administration and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

April 27, 2006

Pellston Regional Airport of Emmet County

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS

For the year ended December 31, 2005

Application #	Project Description	Approved For Use	Year Ended 12/31/05 Reported Expenditures
01-09-C-00-PLN	Acquire snow blower	\$ 30,000	\$ -
	Land acquisitions	15,628	-
	Acquire sweeper	10,000	-
	Wildlife study	20,000	-
	Perimeter road environmental assessment	6,631	-
	Subtotal	<u>82,259</u>	<u>-</u>
04-10-C-00-PLN	Apron expansion to the north	25,875	27,458
	Apron expansion to the south	25,000	-
	Terminal area drain improvements	2,500	-
	Apron reconstruction	48,250	48,250
	Animal control/security fence	16,750	18,030
	Parking lot rehabilitation/reconstruction	25,000	25,000
	Plow truck with sander	5,000	-
	Plow truck with sander	5,000	-
	Land acquisition for Ely Road	2,000	-
	Relocate Ely Road	7,750	-
	Acquire sweeper	1,250	-
	Acquire blower	8,750	-
	Acquire front end loader	3,125	-
	Master plan study	2,000	-
	Acquire generator	2,500	-
	GA Terminal building expansion	100,000	-
	Subtotal	<u>280,750</u>	<u>118,738</u>
	Total	<u>\$ 363,009</u>	<u>\$ 118,738</u>

The accompanying notes are an integral part of this schedule.

Pellston Regional Airport of Emmet County

NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS

NOTE A - SUMMARY OF ACCOUNTING POLICIES

General

The Pellston Regional Airport of Emmet County (the "Airport") is owned and operated by the County of Emmet, Michigan, (the "County") which is a governmental entity operated under an elected seven member Board of Commissioners.

Defining the Reporting Entity

The County of Emmet is the primary level of government which has oversight responsibility and control over all activities related to the operations of the Airport. The operations of the Airport are included as one of many departments within the County's General Fund. The County also receives Passenger Facility Charge ("PFC") revenue from surcharges levied by airlines on behalf of the County. These revenues, as well as expenses, are accounted for in the Airport Facility Capital Projects Fund and reported in the Schedule of Expenditures of Passenger Facility Charge Funds as prescribed by the Federal Aviation Administration ("FAA").

Use of Estimates in the Preparation of the Schedule of Expenditures of Passenger Facility Charge Funds

The preparation of the Schedule of Expenditures of Passenger Facility Charge Funds, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from these estimates.

Revenue Recognition

Passenger Facility Charge revenues are recognized within the period these charges are collected by air carriers on behalf of the County.

NOTE B - PASSENGER FACILITIES CHARGE RATE

The County received approval from the Federal Aviation Administration to impose a \$3 passenger facility charge per enplanement beginning in 1993 for use on approved projects. The most recent approval permits imposition of the fee over a period of approximately ten years effective June 2002.

NOTE C - UNEXPENDED FUNDS

Accumulated unspent Passenger Facility Charge revenue at December 31, 2005 totaling \$243,167 is held in the County's pooled cash account and has been allocated its respective share of interest earned.

NOTES TO SCHEDULE OF EXPENDITURES OF
PASSENGER FACILITY CHARGE FUNDS - Continued

NOTE D - PENDING APPLICATION

The County's terminal building project was substantially overdrawn as of December 31, 2004. As reported in 2004, the project had incurred \$711,020 in expenditures as compared to the approved use level of \$592,250. The County planned to recoup these costs in Application #10, which was pending at December 31, 2004.

During 2005, Application #10 was approved for a use level of \$280,750. The County assigned expenditures of \$118,738, which were made in previous years, to Application #10. These expenditures are reported as other financing uses in the County's Airport Facility Fund for the year ended December 31, 2005.

Pellston Regional Airport of Emmet County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Prior Year

No findings.

Current Year

No findings.